

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Decatur-Hamilton Joint Fire Department	County Van Buren
Audit Date June 30, 2005	Opinion Date November 8, 2005	Date Accountant Report Submitted to Sate: February 7, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

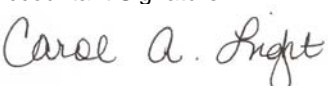
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C., CPA's			
Street Address 710 E. Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature 			

**Decatur-Hamilton Joint Fire Department
Van Buren County**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2005

Table of Contents

<u>Section</u>	<u>Page</u>
1 List of Elected and Appointed Officials	1 – 1
2 Independent Auditors' Report	2 – 1
3 Management's Discussion and Analysis	3 – 1
4 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	4 – 1
Statement of Activities	4 – 2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4 – 3
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	4 – 4
Statement of Revenues, Expenditures and Changes in Fund Balances	4 – 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	4 – 6
Notes to Financial Statements	4 – 7
5 Required Supplemental Information	
Budgetary Comparison Schedule	
General Fund	5 – 1

Decatur-Hamilton Joint Fire Department
List of Elected and Appointed Officials
June 30, 2005

Board Members

Carl Wickett	Chairman
Carl Druskovich	Vice Chairman / Secretary
James Creagan	Treasurer
Terry Newell	Member
Daniel McKeeby	Member
Joe Parish	Member



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Kalamazoo, MI 49002
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Independent Auditors' Report

Members of the Board
Decatur-Hamilton Joint Fire Department

We have audited the accompanying financial statements of the governmental activities, and general fund, of the Decatur-Hamilton Joint Fire Department as of and for the year ended June 30, 2005, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and general fund of Decatur-Hamilton Joint Fire Department as of June 30, 2005 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

November 8, 2005
Kalamazoo, Michigan

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2005

The management of the Decatur-Hamilton Joint Fire Department (the Department) provides a narrative overview of the Department's financial activities for the fiscal year that ended on June 30, 2005. Please read it in conjunction with the Department's financial statements.

FINANCIAL HIGHLIGHTS

- The Department's total net assets increased by \$56,645 (8 percent) as a result of this year's activities.
- Of the \$811,561 total net assets reported, \$262,482 is unrestricted, or available to be used at the Department's discretion.
- The Operating Fund's fund balance at the end of the fiscal year was \$262,482, which represents 41 percent of the actual total Operating Fund expenditures for the current fiscal year.

Overview of the financial statements

The Department's basic financial statements are comprised of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Department:

- The statement of net assets and the statement of activities are government-wide financial statements that provide both long-term and short-term information about the Department's overall financial status.
- The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance are fund financial statements that tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Department as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Department's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2005

The two government-wide statements report the Department's net assets and how they have changed. Net assets (the difference between the Department's assets and liabilities) is one way to measure the Department's financial health or position.

- Over time, increases or decreases in the Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Department, consideration must be given to additional non-financial factors such as changes in the Department's intergovernmental support and the condition of the Department's capital assets.

The government-wide financial statements are shown in a single category, since the Department provides one basic governmental service – fire protection.

Fund financial statements

The fund financial statements provide more detailed information about the Department's sole fund – not the Department as a whole. Funds are accounting devices that the Department uses to keep track of specific sources of funding and spending for particular purposes.

The Department has one fund, which focuses on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at yearend that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explain the relationship between them.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Assets. Total net assets at the end of the fiscal year were \$811,561, an increase of 8 percent compared to the prior year. Of this total, \$549,079 is invested in capital assets. Consequently, unrestricted net assets were \$262,482, or 32 percent of the total.

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2005

Condensed financial information
Net Assets

	June 30, <u>2005</u>	<u>2004</u>
Assets		
Current assets	\$ 267,896	\$ 172,178
Capital assets	<u>549,079</u>	<u>587,474</u>
Total assets	<u>816,975</u>	<u>759,652</u>
 Current liabilities	 <u>5,414</u>	 <u>4,736</u>
 Net assets		
Invested in capital assets	549,079	587,474
Unrestricted	<u>262,482</u>	<u>167,442</u>
 Total net assets	 <u>\$ 811,561</u>	 <u>\$ 754,916</u>

Changes in net assets. The Department's total revenues are \$202,400. Over 95 percent of the Department's revenues come from intergovernmental support.

Condensed financial information
Changes in Net Assets

	June 30, <u>2005</u>	<u>2004</u>
Program revenues		
Intergovernmental support	\$ 193,171	\$ 183,382
Other	<u>9,229</u>	<u>3,657</u>
Total program revenues	<u>202,400</u>	<u>187,039</u>
Expenses		
Public safety - fire protection	<u>145,755</u>	<u>146,482</u>
 Increase in net assets	 <u>\$ 56,645</u>	 <u>\$ 40,557</u>

Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2005

Governmental activities

Governmental activities increased the Department's net assets by \$56,645. Key factors for this increase are as follows:

- Operating costs, exclusive of depreciation, should approximate 80% of intergovernmental support, or \$154,500. To the extent such costs are below the targeted 80%, there will be an increase in net assets. In 2005, operating costs, exclusive of depreciation, were significantly below the targeted 80%, thus generating an operating surplus.
- The remaining 20% of support, or \$38,600, is intended to fund capital asset costs. To the extent annual provision for depreciation is less than the remaining support, there will be an increase in net assets. The 2005 provision for depreciation exceeded the remaining 20% of support by approximately \$9,200.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUND

Governmental fund

As of the end of the current fiscal year, the Department's sole governmental fund reported a fund balance of \$262,482, an increase of \$95,040, in comparison with the prior year.

The entire fund balance at yearend is available for spending at the Department's discretion.

General fund budgetary highlights

There were no budget amendments during 2005. Actual revenues exceeded their budgeted amounts by approximately \$16,000, and there were no significant variances between the budgeted and actual expenditures.

The General Fund is the only fund of the Department. At the end of the fiscal year, unreserved fund balance was \$262,482, which represents 41 percent of the actual total Operating Fund expenditures for the current fiscal year.

Capital assets

The Department's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$549,079 (net of accumulated depreciation). This investment includes various assets including vehicles, fire fighting equipment, and building. The decrease in the Department's net investment in capital assets for the current fiscal year was \$38,395.

**Decatur-Hamilton Joint Fire Department
Management's Discussion and Analysis
June 30, 2005**

The Department did not have any major capital asset events during the year.

More detailed information about the Department's capital assets is presented in Note 4 of the notes to the basic financial statements.

Economic condition and outlook

The Department's Operating Fund budget for the next year projects no increase in spending. A stagnant economy and no substantial revenue increase require that the Department maintain conservative expenditure trends.

Contacting the Department's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Jim Creagan, Treasurer
Decatur-Hamilton Joint Fire Department
124 Phelps Street
P.O. Box 5
Decatur, MI 49045

Telephone: 269.423.7014

Decatur-Hamilton Joint Fire Department
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Cash	\$ 243,478
Accounts receivable - other	1,200
Taxes receivable	5,218
Prepaid insurance	18,000
Capital assets, net	<u>549,079</u>
 Total assets	 <u>816,975</u>
 Liabilities	
Accounts payable	<u>5,414</u>
 Net assets	
Invested in capital assets, net of related debt	549,079
Unrestricted	<u>262,482</u>
 Total net assets	 <u><u>\$ 811,561</u></u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Statement of Activities
For the Year Ended June 30, 2005

		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Governmental Activities
Functions/Programs		
Governmental activities		
Health and welfare - fire protection	\$ 145,755	\$ (145,755)
Total governmental activities	\$ 145,755	(145,755)
General revenues		
Intergovernmental support		193,171
Unrestricted investment earnings		2,029
Miscellaneous		7,200
Total general revenues		202,400
Change in net assets		56,645
Net assets - beginning of year		754,916
Net assets - end of year		\$ 811,561

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Balance Sheet
June 30, 2005

	<u>General</u>
Assets	
Cash	\$ 243,478
Accounts receivable - other	1,200
Taxes receivable	5,218
Prepaid insurance	<u>18,000</u>
 Total assets	 <u><u>\$ 267,896</u></u>
 Liabilities	
Accounts payable	<u>\$ 5,414</u>
 Fund Balances	
 Total fund balances	 <u>262,482</u>
 Total liabilities and fund balances	 <u><u>\$ 267,896</u></u>

See Accompanying Notes to the Financial Statements

**Decatur-Hamilton Joint Fire Department
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2005**

Total fund balances for governmental funds	\$ 262,482
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Total net assets for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>549,079</u>
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Net assets of governmental activities	<u><u>\$ 811,561</u></u>
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See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2005

	<u>General</u>
Revenues	
Intergovernmental support	
Decatur Township	\$ 120,853
Hamilton Township	<u>72,318</u>
	<u>193,171</u>
 Other	 <u>9,229</u>
 Total revenues	 <u>202,400</u>
 Expenditures	
Health and welfare - fire protection	97,982
Capital outlay	<u>9,378</u>
Total expenditures	<u>107,360</u>
 Net change in fund balance	 95,040
 Fund balance - beginning of year	 <u>167,442</u>
 Fund balance - end of year	 <u><u>\$ 262,482</u></u>

See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - Total governmental funds	\$ 95,040
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(47,773)
Capital outlay	<u>9,378</u>

Change in net assets of governmental activities	\$ <u>56,645</u>
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See Accompanying Notes to the Financial Statements

Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Decatur-Hamilton Joint Fire Department (the Department) conform to United States generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

Reporting entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Department. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Department has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Department's financial statements. Also, the Department is not a component unit of any other entity.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Department. Currently, all activities of the Department are classified as governmental activities, primarily supported by intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from

goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental support and other items not properly included among program revenues are reported instead as *general revenue*.

Financial statements are provided for the sole governmental fund as separate columns in the basic financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources, measurement focus*, and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Intergovernmental revenues are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources, measurement focus*, and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2005

State grants, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

The Department reports a single major governmental fund, the General Fund, which accounts for all financial resources of the Department.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenue* rather than as program revenue. Likewise, general revenue includes all intergovernmental support.

Assets, liabilities, and net assets or equity

Bank Deposits – cash consists of demand deposits and savings accounts.

Prepaid Items – certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – capital assets, which consist of vehicles, emergency response equipment and building, are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$500

and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Building and improvements	40 years
Vehicles	15 to 20 years
Equipment	5 to 15 years

Fund Equity – In the fund financial statements, the Operating Fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Budgetary information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the Operating Fund. The budget document presents information by function and line items. The legal level of budgetary control adopted by the governing body is the line item level. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Decatur-Hamilton Joint Fire Department
Notes to Financial Statements
June 30, 2005

NOTE 5 - RISK MANAGEMENT

The Department is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$1,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Decatur-Hamilton Joint Fire Department
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental support				
Decatur Township	\$ 114,400	\$ 114,400	\$ 120,853	\$ 6,453
Hamilton Township	69,100	69,100	72,318	3,218
Total intergovernmental support	183,500	183,500	193,171	9,671
Interest income	1,500	1,500	2,029	529
Other revenue	1,000	1,000	7,200	6,200
Total revenues	186,000	186,000	202,400	16,400
Expenditures				
Health and welfare - fire protection				
Repairs and maintenance				
Vehicle	21,000	21,000	14,913	(6,087)
Building	15,000	15,000	10,532	(4,468)
Equipment	3,000	3,000	2,377	(623)
Communications	4,000	4,000	974	(3,026)
Small equipment purchases	60,000	60,000	16,555	(43,445)
Insurance	20,000	20,000	16,008	(3,992)
Supplies	11,350	11,350	9,292	(2,058)
Contract services	6,000	6,000	5,500	(500)
Utilities	5,000	5,000	4,548	(452)
Salaries	6,700	6,700	6,700	-
Transportation	3,500	3,500	1,597	(1,903)
Fuel	3,500	3,500	2,090	(1,410)
Audit	4,250	4,250	4,250	-
Telephone	3,500	3,500	1,971	(1,529)
Professional fees	1,500	1,500	675	(825)
Total fire protection	168,300	168,300	97,982	(70,318)

Decatur-Hamilton Joint Fire Department
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Capital outlay	\$ 10,000	\$ 10,000	\$ 9,378	\$ (622)
Total expenditures	<u>178,300</u>	<u>178,300</u>	<u>107,360</u>	<u>(70,940)</u>
Change in fund balance	<u>7,700</u>	<u>7,700</u>	<u>95,040</u>	<u>87,340</u>
Fund balance - beginning of year	<u>167,442</u>	<u>167,442</u>	<u>167,442</u>	<u>-</u>
Fund balance - end of year	<u>\$ 175,142</u>	<u>\$ 175,142</u>	<u>\$ 262,482</u>	<u>\$ 87,340</u>